

Section .04(13) Financial Feasibility. Hospitals applying for a Level I or II perinatal program must clearly demonstrate that the hospital has the financial and non-financial resources necessary to implement the project, and that the average charge per admission for new perinatal programs will be less than the current statewide average charge for Level I and Level II perinatal programs. When determining whether to approve an application for an obstetric program, the Commission will consider the following:

- (a) the applicant's projected sources of funds to meet the program's total expenses for the first three years of operation,
- (b) the proposed unit rates and/or average charge per case for the perinatal services,
- (c) evidence that the perinatal service will be financially feasible at the projected volumes and at the minimum volume standards in the Plan, and
- (b) the written opinions or recommendations of the HSCRC.

The Germantown hospital will operate a Level II perinatal program as a component of the overall 93 bed facility. The Project Budget identifies the sources of funds for the overall project and Table 4 identifies the revenue and expenses projections associated with the project as a whole. Based on the data below, the new hospital charges will be 7.8% below the state-wide case-mix adjusted average for both obstetric and perinatal discharges from Level I and II hospitals.

	# of discharges in year 2015	CMI	Approved CPC (2009)	Adjusted CPC
Vaginal	764	0.5264	\$9,767	\$5,141
C-Section	412	0.7337	9,767	\$7,166
No Delivery	61	0.4487	9,767	\$4,382
Total	1,237	0.59160	\$9,767	\$5,778

Average Charge per Level I and II hospitals at Germantown's CMI \$6,266

% below Statewide Level I and II hospital -7.8%

For other hospitals

OB discharges by Level I and II hospitals

	Discharges	Average Charge	CMI	Average Charge at Germantown CMI
Baltimore Washington Medica	40	5,650	0.58998	5,665
Calvert Memorial Hospital	955	5,100	0.57139	5,281
Carroll Hospital Center	1,274	7,089	0.58432	7,177
Chester River Hospital Cent	259	7,131	0.55480	7,604
Civista Medical Center	930	6,125	0.55292	6,554
Garrett Cty. Mem. Hospital	290	4,732	0.55943	5,004
Laurel Regional Hospital	694	5,944	0.55840	6,297
Maryland General Hospital	1,224	8,449	0.57529	8,688
Mem. Hosp. At Easton	1,282	5,758	0.57748	5,899
Memorial Of Cumberland Hosp	1,219	5,898	0.55995	6,232
Montgomery General Hospital	963	6,081	0.60851	5,912
Peninsula Regional Med Ctr	2,403	5,576	0.58375	5,651
Southern Maryland Hospital	2,131	6,502	0.57765	6,659
St. Mary'S Hospital	1,205	5,781	0.54107	6,321
Union Of Cecil Hospital	975	4,941	0.55371	5,280
Upper Chesapeake Med. Ctr.	1,599	7,036	0.55877	7,449
Wash. Adventist Hospital	2,346	6,578	0.59406	6,551
Washington Cty. Hospital	2,094	4,512	0.58688	4,548
	21,883	\$6,083	0.57470	\$6,266

	# of discharges in year 2015	CMI	Approved CPC (2009)	Adjusted CPC
Normal Newborn	870	0.1669 (1)	\$9,767	\$1,630
Other Newborns	369	1.5331 (2)	9,767	14,974
Total	1,239	0.57373	\$9,767	\$5,604
Average Charge per Level I and II hospitals at Germantown's CMI				\$6,078
% below Statewide Level I and II hospital				-7.8%

Perinatal discharges by Level I and II hospitals

	Discharges	Average Charge	CMI	Average Charge at Germantown CMI
Baltimore Washington Medica	3	2,717	0.16171	9,639
Calvert Memorial Hospital	955	5,100	0.57139	5,121
Carroll Hospital Center	1,274	7,089	0.58432	6,960
Chester River Hospital Cent	259	7,131	0.55480	7,374
Civista Medical Center	930	6,125	0.55292	6,356
Garrett Cty. Mem. Hospital	290	4,732	0.55943	4,853
Laurel Regional Hospital	694	5,944	0.55840	6,107
Maryland General Hospital	1,224	8,449	0.57529	8,426
Mem. Hosp. At Easton	1,282	5,758	0.57748	5,721
Memorial Of Cumberland Hosp	1,219	5,898	0.55995	6,044
Montgomery General Hospital	963	6,081	0.60851	5,733
Peninsula Regional Med Ctr	2,403	5,576	0.58375	5,480
Southern Maryland Hospital	2,131	6,502	0.57765	6,458
St. Mary'S Hospital	1,205	5,781	0.54107	6,130
Union Of Cecil Hospital	975	4,941	0.55371	5,120
Upper Chesapeake Med. Ctr.	1,599	7,036	0.55877	7,224
Wash. Adventist Hospital	2,346	6,578	0.59406	6,353
Washington Cty. Hospital	2,094	4,512	0.58688	4,411
	21,846	\$6,083	0.57461	\$6,078

Note 1: St. Paul Computer Center, FY 2009 Inpatient Abstract data APR-DRGs 640

Note 2: St. Paul Computer Center, FY 2009 Inpatient Abstract data APR-DRGs 580-581, 591 - 639

The analysis below shows a positive net income in the third year of operations at projected volumes and at the minimum volume of 1,000 cases per year.

Holy Cross Health - Germantown
Revenue and Expenses - Project (OB, Nursery and NICU)
For the Fiscal Years 2010 - 2015

Note: Dollars in Thousands and in Current FY 2010 Dollars

Fiscal Year Ended June 30,

1. Revenue

	Projected (Ending with first full year of utilization)			Assume 1,000 Deliveries
	2013	2014	2015	2015
a. Inpatient Services	\$ 4,723	\$ 11,937	\$ 14,454	\$ 12,296
b. Outpatient Services	-	-	-	-
c. Gross Patient Services Revenues	4,723	11,937	14,454	12,296
d. Allowance for Bad Debt	(118)	(298)	(361)	(307)
e. Contractual Allowance	(213)	(537)	(650)	(553)
f. Charity Care	(109)	(275)	(332)	(283)
g. Net Patient Services Revenue	4,283	10,827	13,110	11,152
h. Other Operating Revenues	-	-	-	-
i. Net Operating Revenue	4,283	10,827	13,110	11,152

2. Expenses

a. Salaries, Wages, and Professional Fees (including fringes)	2,367	5,955	7,175	6,104
b. Contractual Services	484	1,222	1,480	1,259
c. Interest on Current Debt	-	-	-	-
d. Interest on Project Debt	256	684	673	673
e. Current Depreciation	-	-	-	-
f. Project Depreciation	505	1,026	1,026	1,026
g. Current Amortization - included in Depreciation	-	-	-	-
h. Project Amortization - included in Depreciation	-	-	-	-
i. Supplies	435	1,100	1,332	1,133
j. Other Expenses (Pre-opening recruiting, training and other related costs in 2013 - Insurance, Utilities, Repairs)	983	856	1,036	881
k. Total Operating Expenses	5,031	10,843	12,722	11,076

3. Income

a. Income from Operations	(747)	(15)	389	77
b. Non-Operating Income	-	-	-	-
c. Subtotal	(747)	(15)	389	77
d. Income Taxes	-	-	-	-
e. Net Income (Loss)	\$ (747)	\$ (15)	\$ 389	\$ 77

Holy Cross Health - Germantown
FINANCIAL AND OPERATING ASSUMPTIONS (OB, Nursery and NICU)
For the Fiscal Years 2010 - 2015

Note: Dollars in Thousands and in Current Dollars

Fiscal Year Ended June 30,	Projected (Ending with first full year of utilization)			Assume 1,000 Deliveries
	2013	2014	2015	2015
<u>Inpatient Volumes:</u>				
Discharges:				
Deliveries	388	976	1,176	1,000
Other OB	20	51	61	52
Normal Newborns	287	722	870	740
Neonates	122	306	369	314
Patient Days:				
Deliveries	1,124	2,826	3,405	2,896
Other OB	55	138	167	142
Normal Newborns	574	1,444	1,740	1,480
Neonates	593	1,493	1,799	1,530
Case Mix Index:				
Deliveries	0.6089	0.6119	0.6150	0.6150
Other OB	0.4554	0.4577	0.4600	0.4600
Normal Newborns	0.1694	0.1703	0.1711	0.1711
Neonates	1.5562	1.5640	1.5718	1.5718

No Outpatient Activity Included

Revenue Assumptions:

Inpatient Charge per Case	\$ 9.767	\$ 9.767	\$ 9.767	\$ 9.767
Allowance for Bad Debt (% of Gross Charges)	2.50%	2.50%	2.50%	2.50%
Contractual Allowances (% of Gross Charges)	4.50%	4.50%	4.50%	4.50%
Charity Care (% of Gross Charges)	2.30%	2.30%	2.30%	2.30%

Note: Adjustments to gross patient revenue for OB/NB/NICU as a % to total were lower than overall hospital estimates based on experience recognized at Silver Spring

Other Operating Revenue	-	-	-	-
-------------------------	---	---	---	---

Expense Assumptions:

FTE per AOB (Md CMI Adj) ratio	6.50	6.50	6.50	6.50
Avg Salary per FTE	\$ 61.5	\$ 61.5	\$ 61.5	\$ 61.5
Benefits as a % of Salaries	22.0%	22.0%	22.0%	22.0%
Contracted Services (per CMI Adj EIPA)	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Supplies (per CMI Adj EIPA)	\$ 0.90	\$ 0.90	\$ 0.90	\$ 0.90
Other Operating Expense (per CMI Adj EIPA)	\$ 0.70	\$ 0.70	\$ 0.70	\$ 0.70
Pre-Opening Costs (Included in Other Operating Expense)	\$ 774.0	\$ -	\$ -	\$ -
Depreciation Expense (% of Total Project)	10.0%	10.0%	10.0%	10.0%
Interest Expense (% of Total Project)	10.0%	10.0%	10.0%	10.0%

Overhead Assumption:

Hospital overhead expenses, including administrative and non-clinical functions, are allocated to OB, Newborn and NICU based on patient volume for these units as a percentage of the Germantown hospital totals. We used an average "Full Time Equivalent per CMI Adjusted Occupied Bed" target for staffing estimates which includes all of the administrative, management and non-clinical labor of the hospital, plus a hospital-wide average for benefits relating to these employees. We also used an average expense per CMI-adjusted "Equivalent Inpatient Admissions" as an estimate for other operating expenses such as insurance, maintenance, utilities, etc.

Please see detailed assumptions above for these specific dollar values.